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DHAHRAN SENDS,
STATE TO NEA/ARP

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TAGS: ECON EPET KPAO OEXC PGOV SA
SUBJECT: SAUDI OIL COMPANY TO STRENGTHEN TIES TO U.S.

Classified By: Dhahran CG Joseph Kenny for reasons 1.4(b),(d)

¶1. (S/NF) Summary: On November 23 Dhahran Consul General Kenny met with Saudi Aramco president designate Khalid al-Falih in his Aramco office. Al-Falih, educated at Texas A&M, values his U.S. education highly and expressed hope that most Aramco employees could be exposed to American higher education and culture under his leadership. He also commented on the recent economic downturn and said that the global petrochemical industry would be hit especially hard, citing liquidity problems for SABIC. He also discussed his perception of risks associated with high oil prices and the U.S. oil market. End summary.

Coming to America

¶2. (C) Dhahran Consul General (CG) Kenny paid a courtesy call on the newly designated president and CEO of Saudi Aramco, Khalid Abdulaziz al-Falih, on November 23. The hour-long meeting was attended by EconOff and Aramco general manager for Government Affairs, Khalid Abubshait. Mr. al-Falih spoke fondly of his education in the U.S. and mentioned that his son is currently studying in Boston. He went on to say that he wished most of his employees could receive an American education, even if it were simply an exchange program with a Saudi university because they thereby could learn about a great country with good values. Al-Falih said that he hopes Saudi Aramco will always maintain an "emotional attachment" to the U.S. and continue to reflect "American values." He said he believes this is only possible by living in the U.S. At one point during the conversation al-Falih commented that after having lived in the UK and worked in Europe he much rather prefers American culture and values.

¶3. (C) Al-Falih was especially pleased to hear that the number of Saudi students studying in the U.S. has surpassed pre-9/11 figures and is on the rise. He said that Saudi Aramco will spearhead establishing an exchange program to send Saudi students from the Eastern Province flagship engineering school, King Fahd University of Petroleum and Minerals (KFUPM), to a number of top tier U.S. universities for a year abroad. They are negotiating with Texas A&M University, Rice University, among others. The CG offered the Consulate General's assistance in facilitating such an exchange. (Note. Saudi Aramco has had a long-standing relationship with KFUPM, which used to hold the reputation of being a strong engineering school. This reputation is generally perceived as having declined steadily over the past decade. This is confirmed by current AmCit faculty at KFUPM. End note.)

¶4. (C) Al-Falih commented favorably on the five-year visa program, and noted that this will facilitate more exchanges with the U.S. in education as well as commerce. He expressed

his gratitude that the Consulate had reinstated full visa services in May of this year.

Global Petrochemical Firms Hurting

15. (S/NF) The Aramco president-designate mentioned that he recently met with the heads of several important petrochemical companies, including DOW Chemicals and BASF. He said that DOW will announce "significant" job cuts November 24, in addition to the thousands of layoffs that BASF has already announced. Based on discussions with these global petrochemical companies, al-Falih sees them "cutting costs and hunkering down" over the next few years during the economic crisis with the expectation that the smaller competitors will fail or be absorbed by the global companies.

He said that if they can "stay lean" and "weather the storm," then they should come out of the crisis in a fairly strong position.

16. (S/NF) With respect to the financially troubled Saudi Basic Industries Corporation (SABIC), al-Falih mentioned that they have not been able to pay their contractors and have told them to remain patient while they gather the funds. Al-Falih quickly followed up by saying that SABIC will eventually get the funds, citing the Saudi government's ability to bankroll the company, if need be.

Oil Prices Were Getting Too High

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17. (S/NF) Al-Falih criticized the shortsightedness of Venezuelan and Iranian vocalized desires to keep oil prices near or above \$100 per barrel. He said that he understands the negative consequences of high oil prices for suppliers in the long term. (Comment: Al-Falih likely was referring to the assumption that high hydrocarbon prices will lead to investment in alternative energy sources that could replace traditional fossil fuels, commonly known as demand destruction. End comment.) He also said that he does not wish to increase exports to the U.S. and empathizes with U.S. political concerns over oil imports. Al-Falih said that he would prefer that the U.S. drill more oil domestically, thereby diminishing American political hostility towards Saudi and foreign oil imports.

18. (S/NF) Comment. It is clear from this meeting and other information we have about the next president and CEO of Saudi Aramco that he has a very favorable view of the U.S. higher education system and American culture in general. Under his leadership it appears that the ties between the Saudi oil giant and the U.S. will continue to grow, thereby retaining that influential and important Aramco-U.S. link that extends back 75 years. Al-Falih's emphasis on U.S. education is testament to the importance of the USG facilitating study in the U.S. for Aramco scholarship students and employees, as well as potential future leaders of other influential organizations in the Kingdom. We believe that al-Falih's overwhelmingly positive comments about U.S. education and culture are genuine, since his son is studying in Boston and he has taken a personal interest in establishing an exchange program between the U.S. and KFUPM.

19. (S/NF) Al-Falih's comments on the petrochemical industry are a sobering view on the future of the Saudi economy, in particular the Eastern Province. Many of the large industrial projects due to go online in the coming years are directly related to the petrochemical sector. With the global firms cutting costs and "hunkering down" it is anticipated that any large investment projects will be delayed in the near future. This might be the strongest evidence yet that the Saudi economy faces a big hit in terms

of the impact from the global economic crisis. End comment.

(Approved: JKENNY)
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